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N. L. SANDLER & CO. LIMITED

N. L. SANDLER

M. C. BEDER

UNDERWRITERS

BROKER-DEALERS IN INVESTMENT SECURITIES

SUITE 203

121 RICHMOND STREET, WEST
TORONTO 1, ONTARIO

TELEPHONE 363-8541

CABLE ADDRESS "SANDCO" TORONTO

As a special situation the shares of

NOV 19 1963

NATIONAL CONTAINERS LIMITED (\$5 1/4 - \$5 3/8)



are excellent value and we strongly recommend accumulation for outstanding capital appreciation potential and income. National Containers is the largest company in the production of steel drums and pails in Canada and has demonstrated its ability to earn substantial profits in a basic industry. New productive facilities and product lines will insure that the company remains in a dominant position. Earnings are continuing to increase year by year and have increased 196% in the past five years. With earnings of 46¢ estimated for the current year the shares are selling at a reasonable 11.1 multiple of earnings.

The coming year will see the results of the large capital expenditures on new equipment with earnings forecast at 57¢ per common share. This would mean the stock at current levels is selling at 9 times next years earnings. For comparative purposes, a normal yardstick of value used for industrials listed on the Toronto Stock Exchange is 15 times earnings.

At the present price of \$5 1/4 the stock is yielding a liberal 3.9%.

There are outstanding 80,000 warrants entitling the bearers to purchase shares of the company at the following prices:-

4.50 up to March 15, 1964
4.75 up to March 15, 1966
5.00 up to March 15, 1969

Trading at \$1.50 to \$1.75 the warrants are particularly attractive.

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SHARE STATISTICS

Shares and Warrants listed (T.S.E. - M.S.E.)

Outstanding 665,780 common shares, \$ 1.00 par value

Price range 1962 - 1963 \$ 4.45 to \$ 5.75

Earned (31/12/62) 39¢ Price earnings ratio 13.1

Estimated 1963 earnings 46¢ Price/estimated earnings 11.1

Estimated 1964 earnings 57¢ Price/estimated earnings 9.

Dividend 20¢ - Yield 3.9%

National Containers Limited was introduced to the investing public in March of 1962 when \$1,000,000 6½% First Mortgage, Sinking Fund Bonds, 150,000 common shares and 40,000 share purchase warrants were offered in units comprising a \$100.00 Bond, 15 common shares and 4 warrants at the price of \$163.00 per unit. The monies raised were used primarily for expanding the company's productive facilities.

THE COMPANY

National Containers Limited and its wholly owned subsidiaries engage in the business of manufacturing and reconditioning steel drums and manufacturing steel pails used in the bulk packing of various products. It is the largest company in Canada in the bulk packaging industry producing and reconditioning steel drums.

MacDonald Drums Limited and National manufacture steel drums in all shapes, sizes and weights and with various openings as specified by the purchasers. Some of these drums which are used in the bulk packing and shipping of foods and certain other products are specially lined with a protective coating to prevent contamination during shipping. Similarly, certain drums are lined so that chemically active products will not be affected by direct contact with the steel.

The company has been able to attain a dominant position in the industry through aggressive merchandising and by being technically more advanced than their competitors. Basically, service, cost and quality are the factors that determine whether a company will or will not obtain orders for its product. National has developed an excellent reputation in the industry for service and quality and the fact that it is the largest company in the industry enables National to compete effectively on price through volume production and quantity purchasing. In keeping with the company's policy of installing modern productive equipment, the new pail line in Montreal is the most efficient in Canada.

The demand for pails and drums has been growing at a rate far in excess of the rate of growth of Canada's Gross National Product. Because the industries that used the company's products, such as the petroleum, food and chemical industry, have demonstrated above average growth and indications are that these industries will continue to grow in the future as they have in the past it follows that the demand for National's products will remain strong and buoyant.

The management of the company have been constantly looking for acquisitions to strengthen National's competitive position in the industry. During 1962 the company acquired all the shares of Rosemount Barrel and Drum Inc. of Montreal, a company specializing in the reconditioning of steel drums. It has been management's policy to carry out an extensive program of modernization of existing plants and to install new productive facilities to improve efficiency. The installation of a revolutionary method of reconditioning steel drums is now fifty per cent completed at the company's Montreal plant and should be completed by the end of the year. Similarly, new reconditioning facilities at Seven Islands, Quebec, should be completed by the end of 1963.

New facilities for manufacturing steel drums are being installed at MacDonald Drums in Montreal and this line is scheduled to begin production by November.

The results of these large capital expenditures made by the company have already contributed to increased earnings. For the first seven months of 1963 ending July 31 earnings were \$150,025 equivalent to 22.5¢ per common share, up 10.3% from the comparable year-ago period when earnings totalled \$122,576 or 20.4¢ per common share. For the year ended December 31, 1963, earnings are estimated to be 46¢ per share.

Below is the excellent record of the company's earnings over the past seven years.

Statement of Combined Earnings of National Containers Limited and its Subsidiaries for the Fiscal Periods Ending in 1956 to 1962 Inclusive

Fiscal Period Ending In The Year	Net Sales	Earnings Before Income Taxes	Income Taxes	Net Earnings	Earnings Per Share
1956 ...	\$1,951,538	\$ 72,982	\$ 21,090	\$ 51,892	8
1957 ...	2,301,343	108,218	36,760	71,458	10
1958 ...	2,373,124	146,546	57,609	88,937	13
1959 ...	2,581,864	196,241	83,181	113,060	17
1960 ...	3,494,313	322,166	143,278	178,888	27
1961 ...	3,309,343	338,490	115,369	223,121	34
1962 ...	4,116,000	341,825	81,372	260,453	39

Another significant increase in earnings is expected in 1964 as the improvements and expansion in the company's productive facilities improve operating efficiency. Earnings for 1964 should be 57¢ per common share up a dramatic 23% from the 46¢ that appears to be shaping up for 1963.

Management has followed a program of planned and profitable growth over the past ten years and now believe that the company has reached a level of maturity where dividends can be paid without impairing the company's growth in the future. Consequently, a dividend of 20¢ per share per year has been instituted.

One of the most significant tests of management's ability is the rate of return they are able to earn on invested capital. National has consistently earned an outstanding 10% on invested capital, a record few companies in Canada can match.

The company is well financed and at December 31, 1962, the current ratio was 2 to 1 with current assets of \$1,201,000 against current liabilities of \$619,000. The capitalization of the company is as follows:

CAPITALIZATION

(As at December 31, 1962)

	<u>Authorized</u>	<u>Issued</u>
First Mortgage Bonds	-	\$ 1,000,000
Common \$1.00 par value	1,000,000 shares	665,780 shares

NOTE:

There are 80,000 share purchase warrants outstanding.

November 1963

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